Extended Health Care Plan

Annual Report for 2016

saskatchewan.ca

Government of Saskatchewan

Table of Contents

Letters of Transmittal 2

Introduction 3

Joint Board of Trustees 3

Participating Employers 3

Administration 4

Funding 4

Benefits 5

Management's Report 6

Financial Statements

- Independent Auditor's Report 8
- Statement of Financial Position 9
- Statement of Operations and Change in Net Assets and Accumulated Surplus 10
- Statement of Cash Flow 11
- Notes to the Financial Statements 12

Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twenty-first Annual Report of the Extended Health Care Plan for the year ending December 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Joint Board of Trustees, I have the honour to transmit herewith the twenty-first Annual Report of the Extended Health Care Plan for the year ending December 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Extended Health Care Plan

Introduction

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to PS/GE SGEU and CUPE 600 employees.

As at December 31, 2016, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act, 1998*, and who are members of PS/GE SGEU or CUPE 600.

Joint Board of Trustees

Dale Daniels
Public Service Commission

Kevin Wilson
Ministry of Health

Dave Morhart
Ministry of Health

Carrie Bjola-Matileg
Public Service Commission

Gwen Mowbray
Public Service Commission

Terry Kuyek
Public Service Commission

Saskatchewan Government and General Employees' Union (SGEU):

Timothy McKay
Mac Trost
Kirk Hogarth
Barry Nowoselsky

Canadian Union of Public Employees (CUPE) Local No. 600:

Jacalyn Luterbach
Joe Murrell

Participating Employers

The following employers participate in The Extended Health Care Plan:

With respect to employees who are members of the Saskatchewan Government and General Employees' Union (SGEU):

Advocate for Children and Youth (Office of The)
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
eHealth Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Financial and Consumer Affairs Authority of Saskatchewan
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Livestock Services of Saskatchewan Corporation
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Provincial Archives of Saskatchewan
Public Interest Disclosure Commissioner (Office of the)
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Wildlife Assets Management Inc.
Technical Safety Authority of Saskatchewan
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to employees who are members of the Canadian Union of Public Employees (CUPE), Local No. 600-3 and 600-5:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*.

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993,* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Plan pays a monthly premium to The Great-West Life Assurance Company on behalf of employees. The Plan's risk is limited to the payment of the monthly premium as follows under the two-year contract effective January 1, 2016:

Single	$ 49.76	per month
Couple	$ 97.16	per month
Family	$120.07	per month

Funding

Separate funding agreements are in effect for both PS/GE SGEU and CUPE 600 employees.

Funding for PS/GE SGEU members covered is:

- effective October 1, 1996, 1.03 per cent of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees;
- effective October 1, 2001, 1.28 per cent of straight time annual payroll;
- effective October 1, 2006, 1.78 per cent of straight time annual payroll;
- effective October 7, 2012, 1.79 per cent of straight time annual payroll;
- effective October 6, 2013, 1.80 per cent of straight time annual payroll;
- effective October 5, 2014, 1.82 per cent of straight time annual payroll;
- effective October 4, 2015, 1.84 per cent of straight time annual payroll;
- effective October 2, 2016, 1.86 per cent of straight time annual payroll;
- contributions to the Benefit Plans' Surplus fund are:
  - effective September 30, 1996 - 0.07 per cent of straight time annual payroll;
  - effective September 30, 1997 - 0.37 per cent of straight time annual payroll;
  - effective October 1, 1999 - 0.47 per cent of straight time annual payroll;
  - effective October 1, 1999 – lump sum contributions $2.0 million;
  - effective October 1, 2001 – lump sum contributions $3.5 million;
  - effective October 1, 2004 – lump sum contributions $6.9 million;
  - for the period December 1, 2004, to November 30, 2005, the Government and PS/GE SGEU decided to divert the 0.25 per cent funding from the Retiree Plan to the PS/GE SGEU Benefits Plans' Surplus Fund. This amounted to $1,013,682;
  - effective August 1, 2007, to December 31, 2009, and extended to March 31, 2010, the 0.47 per cent SGEU Benefit Plans' Surplus Funding was redirected to the Public Employees Dental Plan;
  - effective June 28, 2013, SGEU arbitration settlement of $8,561,193.

Funding for CUPE 600 members covered is:

- effective October 1, 1996, 1.08 per cent of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees;
- effective September 30, 1997 - 1.23 per cent of straight time annual payroll;
- effective October 1, 2006 - 1.43 per cent of straight time annual payroll;
- effective December 28, 2003, to December 31, 2004, additional contribution rates were $11.54 per pay period for members paid bi-weekly and $25.00 per pay period for members paid monthly.

- contributions to the Benefit Plans' Surplus fund are:
  - effective September 30, 1996 - 0.07 per cent of straight time annual payroll; plus
  - the amount required to make up the difference between contributions and the cost of monthly premiums for eligible employees, up to 0.15 per cent of straight time annual payroll;
  - effective September 30, 1997 - 0.37 per cent of straight time payroll;
  - effective December 20, 1999 - 0.82 per cent of straight time annual payroll;
  - effective January 1, 2005 – lump sum contributions of $748,070.

Benefits

An employee is eligible for benefits at the start of the pay period immediately following a six month period of employment.

Claims are paid on behalf of eligible family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

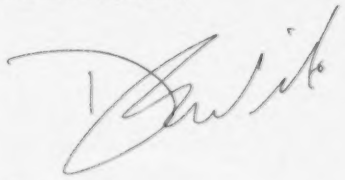
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Extended Health Care Plan has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Enclosed are the financial statements of the Extended Health Care Plan for the year ended December 31, 2016, and the Provincial Auditor's report on these financial statements.



Regina, Saskatchewan
April 11, 2017

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Extended Health Care Plan

Financial Statements

Year Ended December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan, which comprise the statement of financial position as at December 31, 2016, the statement of operations and change in net assets and accumulated surplus, and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan as at December 31, 2016, and the results of its operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
April 11, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

Extended Health Care Plan **Statement 1**
Statement of Financial Position

As at December 31

	2016				2015
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Financial Assets					
Due from General Revenue Fund (Note 3)	$1,555,014	$22,050,624	$346,306	$23,951,944	$21,212,715
Contributions Receivable	802,318	195,763	15,317	1,013,398	998,429
Other Receivables	1,017	28,481	418	29,916	27,329
	2,358,349	22,274,868	362,041	24,995,258	22,238,473
Liabilities					
Accounts Payable and Accrued Liabilities (Note 5)	964,772	-	-	964,772	72,812
Net Assets and Accumulated Surplus (Statement 2)	$1,393,577	$22,274,868	$362,041	$24,030,486	$22,165,661

(See accompanying notes to the financial statements)

Extended Health Care Plan **Statement 2**

Statement of Operations and Change in Net Assets and Accumulated Surplus

For The Year Ended December 31

	2016					2015
	Budget	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Revenues	(Note 6)					
Contributions (Note 1)	$14,000,592	$10,829,879	$2,671,889	$197,357	$13,699,125	$13,366,385
Interest Income (Note 3)	132,760	4,279	114,688	1,471	120,438	127,044
	14,133,352	10,834,158	2,786,577	198,828	13,819,563	13,493,429
Expenses						
Insurance Premiums	11,284,340	11,249,164	-	-	11,249,164	10,524,473
Transfer to PEDF (Note 1)	-	-	600,000	-	600,000	300,000
Administration (Note 5)	74,154	105,574	-	-	105,574	105,387
	11,358,494	11,354,738	600,000	-	11,954,738	10,929,860
Surplus (Deficit) for the Year before the following:	2,774,858	(520,580)	2,186,577	198,828	1,864,825	2,563,569
Interfund Transfers (Note 1)	-	100,000	-	(100,000)	-	-
Operating Surplus	2,774,858	(420,580)	2,186,577	98,828	1,864,825	2,563,569
Net Assets and Accumulated Surplus, Beginning of Year	22,165,661	1,814,157	20,088,291	263,213	22,165,661	19,602,092
Net Assets and Accumulated Surplus, End of Year (Statement 1)	$24,940,519	$1,393,577	$22,274,868	$362,041	$24,030,486	$22,165,661

(See accompanying notes to the financial statements)

Extended Health Care Plan
Statement of Cash Flow

Statement 3

For The Year Ended December 31

	2016				2015
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Cash Flow From (Used in) Operating Activities					
Contributions Received	$ 10,815,033	$ 2,671,219	$ 197,904	$ 13,684,156	$ 13,454,727
Interest Received	4,722	111,756	1,373	117,851	143,346
Insurance Premiums Paid	(10,367,904)	-	-	(10,367,904)	(10,664,540)
Administration Expense Paid	(94,874)	-	-	(94,874)	(99,907)
Cash flow From Operating Activities	356,977	2,782,975	199,277	3,339,229	2,833,626
Net Increase Due From General Revenue Fund	356,977	2,782,975	199,277	3,339,229	2,833,626
Interfund Transfers (Note 1) (Statement 2)	100,000	-	(100,000)	-	-
Transfer to PEDF (Note 1)	-	(600,000)	-	(600,000)	(600,000)
	456,977	2,182,975	99,277	2,739,229	2,233,626
Due from General Revenue Fund, Beginning of Year	1,098,037	19,867,649	247,029	21,212,715	18,979,089
Due from General Revenue Fund, End of Year	$ 1,555,014	$ 22,050,624	$ 346,306	$ 23,951,944	$ 21,212,715

(See accompanying notes to the financial statements)

Extended Health Care Plan
Notes to the Financial Statements

December 31, 2016

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996, pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600 (CUPE) Benefit Plans' Surplus Fund.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

Extended Health Care Fund

The Extended Health Care Fund covers members from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.86 per cent of regular payroll for PS/GE SGEU and 1.43 per cent of regular payroll for CUPE members. The contribution rates are established pursuant to PS/GE SGEU and CUPE collective bargaining agreements with the Government.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan pays premiums for eligible employees to the insurance company as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

Benefit Plans' Surplus Funds

The PS/GE SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the PS/GE SGEU and CUPE collective bargaining agreements with the Government. The Surplus Funds receive contributions on behalf of members from employers whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- 0.47 per cent of regular payroll of PS/GE SGEU members
- 0.82 per cent of regular payroll of CUPE members

The intent of the Surplus Funds is to offset cost increases of the benefit plans. Enhanced dental benefits are provided to PS/GE SGEU and CUPE members through the Public Employees Dental Fund (PEDF). The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

The Joint Board of Trustees authorized PEBA to transfer adequate resources from the Surplus Funds to the Extended Health Care Fund in order to provide extended health care benefits over the term of the contract with the insurance company. Accordingly, PEBA transferred to the Extended Health Care Fund $100,000 (2015 - $150,000) from the CUPE Benefit Plans' Surplus Fund.

The Joint Board of Trustees also authorized PEBA to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund to the PEDF in order to provide enhanced dental benefits to participating SGEU members to December 31, 2016. Accordingly, PEBA transferred $600,000 (2015 - $300,000) from the PS/GE SGEU Benefit Plans' Surplus Fund to PEDF.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. The following accounting policies are considered significant:

a) Contributions

Contribution billings are done at the end of each month. Contributions are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

The Canadian Public Sector Accounting Handbook, Section 3450 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been categorized in one of two measurement categories: fair value, or cost or amortized cost.

The Plan's financial assets include due from the General Revenue Fund, contributions receivable and other receivables. The Plan's financial liabilities include accounts payable and accrued liabilities. The Plan has categorized and measured all its financial assets and financial liabilities at cost.

3. Due from General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are co-mingled in one bank account. The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's bank account balance is recorded as due from General Revenue Fund to the Benefit Plans' Surplus Funds and to the Extended Health Care Fund separately on the Statement of Financial Position.

The General Revenue Fund calculates interest earned and owing on a quarterly basis using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2016 was 0.55 per cent (2015 – 0.65 per cent).

4. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risk that arises from financial instruments is credit risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2016	2015
Due from General Revenue Fund	$23,951,944	$21,212,715
Contributions Receivable	1,013,398	998,429
Other Receivables	29,916	27,329

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions and other receivables as these are receivables from government agencies and were collected shortly after year end. The Due from General Revenue Fund account is minimal risk as the funds are held in the Plan's own bank account under the Consolidated Offset Bank arrangement for the Government of Saskatchewan. There has been no change in the risk exposure in 2016.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All contributions and contributions receivable are from related parties. Also, in 2016, PEBA charged the Plan $105,574 (2015 – $105,387) for administration expenses. Included in accounts payable and accrued liabilities is $24,633 (2015 – $16,356) due to PEBA.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes thereto.

6. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees. The budget was approved on December 22, 2015.